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CENTRAL INTELLIGENCE AGENCY INFORMATION REPORT

COUNTRY Germany (Soviet Zone)

SUBJECT State Contract Courts

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1. The State Contract Courts of the Soviet Zone Government are an important part of the economic planning setup, and are the binding element between economic planning and the accountability for the results. They work under the motto "Contract discipline is plan discipline."
2. The State Contract Court works directly under the Premier. With its lower organs it is installed close to the district councils and has offices to make decisions on contracts for the various ministries. The lower contract courts work directly under the government and not under the presidents of the district councils or the responsible ministers.
3. The presidents of the district contract courts are selected by the Premier, while the heads of arbitration commissions must be confirmed by the district leadership of the SED.
4. Various people's industries fall under the general contract system, and are required to produce contracts in accordance with the plans laid before them within 30 days of being advised. That is, a people's factory receives the plan for the production of something, and is now required to close contracts with the suppliers of raw materials, as well as with the receivers of the finished goods, in such a manner as to insure the fulfillment of the plan in time. These contracts must be registered with and approved by the State Contract Court.

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5. Since October 1952, when the state contract office was reorganized, private industries are subject to recognize the conventional penalties for non-fulfillment, and since the dissolution of the Chamber of Industry and Commerce in January 1953, the whole private industrial setup has been brought under the general contract system. There has been no relaxation under the "new course", although one has been announced.
6. The ~~important~~ laws for the Contract Court and contract system are:
 - a. The new order for the setting up and activity of the State Contract Courts (Law 51 of 1 Jul 53).
 - b. The order for the procedure of State Contract Courts (same law).
 - c. The order for the installation of the general contract system for people's industries and those resembling them (Law 185 of 1 Dec 51).
 - d. The 1 to 5 regulations for the carrying out of this order (Ministerial Journal March 1952).
7. The food producing industries have been placed under similar regulations, of which the 6th regulation of July 1952 is the most important.
8. Contracts must specify quantity, type, nature of goods, quality, delivery date, and most especially penalties, for example 0.1 percent of the value of the goods for each day's delay in delivery, 0.05 percent of the value of the goods for each day's delivery in payment.
9. On the request of one party to a contract, the Contract Court considered the case. It also enters the picture if one party has not made good on a penalty or when one party does not wish to enter a binding contract. One of the parties must belong to a ministry. If both belong under the same ministry, the court attached to that ministry makes the decisions.
10. The district Contract Courts have jurisdiction over all the industries in the district with regard to the closing and breach of contracts, and their authority is unlimited except in the case of a basic question which must be handled by the Contract Court of the DDR. For centrally led industries the district court handles breaches of contract up to 10,000 DM and the closing of contracts up to 100,000 DM. Sums larger than this are considered basic questions, but the high Contract Court may delegate its authority to a district court. In cases of breach, the location of the damaged party determines which court shall handle the case.
11. Insofar as possible the contract courts are to handle matters verbally and through persuasion of the damaging party. Any agreement in the course of a case is not allowed to be in conflict with the economic interests of the DDR or the fulfillment of the plan, but should further these interests. If there is no agreement between the parties the court gives a decision. The party losing the case is allowed an appeal from the district court to the Contract Court of the DDR within five days.

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12. Contract courts may punish heads of industries who have breached contract discipline within up to a month's confinement; and may fine industries unlimited sums when they have not fulfilled orders of the contract court within the time allowed. For especially contumacious breaches of contract discipline, the contract court may order penalties without limit. Imprisonment may be allotted for the non-payment of penalties.
13. According to the order of 1 Jul 53, the contract courts may order industries which have not paid contract penalties under IM 1,000 to do so; and within seven days, this order has the force of a legal decision.
14. In the verbal processes a commission is set up consisting of a president, who is a member of the contract court and two members from industries similar to those involved.
15. The president of the state contract court attached to the council of the Potsdam district is Willi Osterburg, a banker, born 25 Nov 11. He is a violent member of the SED. In 1945 he was in the Rathenow Chamber, then head of the financial section of the industrial section of the Brandenburg state government, then third director of the German note bank in Brandenburg. Member of the National Front. Lives in Potsdam, Kuhnersdorferstrasse.
16. His secretary is Mrs. Helga Lindenberg, a member of the FDJ (Free German Youth).
17. The president of the decision commission for food industries and agriculture is Heinz Walther, born 30 Jan 05, a textile merchant by profession. The president of the decision commission for heavy industry, energy, water power, machine construction, chemicals, coal and transport is Ernst Hermann, about 36 years old. He is a strong SED man and has SED connections. He is assisted by Herbert Paschek, about 26 years old. The president of the decision commission for light industry, the building industry and similar matters is Johannes Quellmalz, about 32 years old, with only one arm. He is assisted by Heinz Nitzschke, about 33 years old; he does not have the confidence of his colleagues.

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